



# Standard Bank Mozambique PMI™

## Sustained growth in Mozambican economy in May

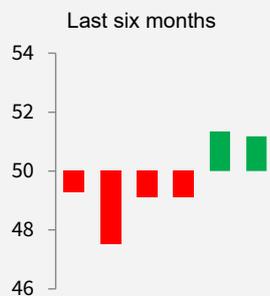
### Key findings

Output and new business rise for second month in a row

Job numbers expand for first time in four months

Expectations for future output at 17-month high

### Mozambique PMI



For the second month running, PMI™ survey data indicated an expansion in the Mozambican economy during May, as businesses recovered from the impact of the COVID-19 pandemic. Output and new orders continued to grow, albeit at slightly weaker paces compared to the initial uplifts in April. Employment rose for the first time since January, while the outlook for future activity improved to the strongest since December 2019.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 51.2 in May, the headline PMI was broadly in line with April's 51.3 to signal a second consecutive monthly improvement in the health of the private sector economy. This followed 13 straight months of decline that were largely attributed to the COVID-19 pandemic.

The expansion was primarily driven by an increase in output levels during May. The pace of growth slowed from the previous month and was modest, but nonetheless indicated only the second upturn in activity since March 2020.

Increasing output was widely linked to an uplift in new order volumes for the second month running. Firms often attributed the expansion to higher customer orders and

improving confidence that the impact of the pandemic will recede.

Showcasing this confidence, overall business expectations for the next 12 months improved to the strongest since December 2019. Over two-thirds of respondents expect output to continue growing, linking this to forecasts of higher sales and business investment.

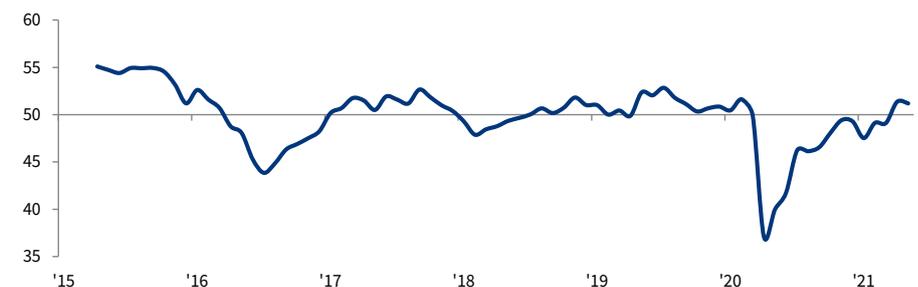
Subsequently, employment levels were increased for the first time in four months as firms looked to expand their capacity in anticipation of a strong economic recovery. This allowed firms to reduce their backlogs after a renewed increase was recorded in April.

At the same time, purchasing activity increased sharply for the second month in a row. Suppliers continued to deliver more quickly, enabling firms to build their inventories for the third time in four months, albeit to a lesser extent in comparison to April.

On the prices side, Mozambican firms reported only a slight uptick in purchasing costs in May, with the rate of inflation softening to a four-month low. In contrast, there was the quickest increase in staff costs in 2021 so far, as job creation led some firms to raise overall pay. Stronger cost pressures were largely passed on to consumers during the month, as output charges rose for the sixth month running, albeit only slightly.

### PMI

sa, >50 = improvement since previous month

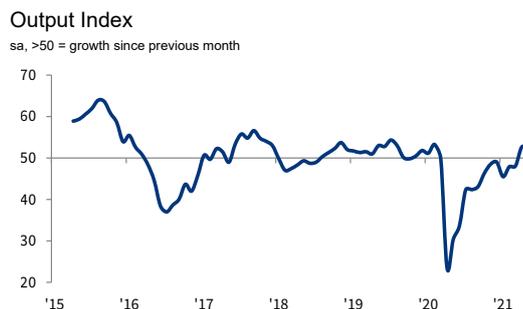




## Output Index



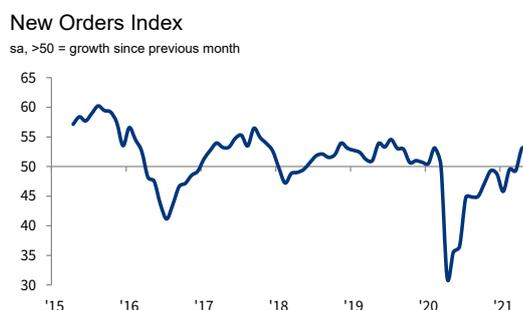
Business output at Mozambican firms continued to expand in May, following a renewed upturn in the previous survey period. Firms that reported an increase in activity often related this to improving client numbers and sales. Growth was strongest in agriculture and wholesale & retail. The overall rate of expansion slowed to a modest pace, however.



## New Orders Index



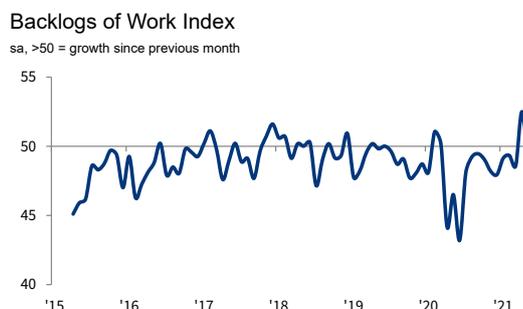
For the second straight month, the seasonally adjusted New Orders Index posted above the 50.0 neutral threshold in May. This signalled a further increase in new business, following a whole year of contraction between April 2020 and March 2021, with firms often attributing growth to higher customer turnout. By sector, new order growth was sharpest in agriculture and wholesale & retail.



## Backlogs of Work Index



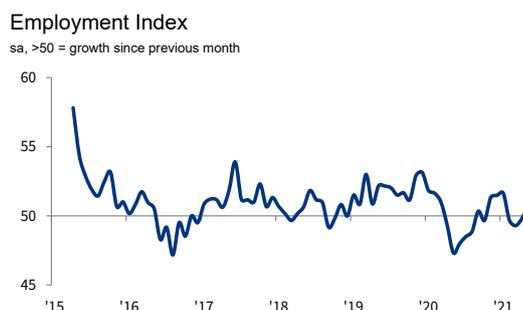
Mozambican companies largely reversed a prior increase in backlogs of work in May, as latest data signalled a slight decline in outstanding business. The reduction came amid a renewed rise in staffing numbers and efforts by some firms to expand their capacity. Backlogs fell across the agriculture, manufacturing, and wholesale & retail sectors, but continued to rise in construction and services.



## Employment Index

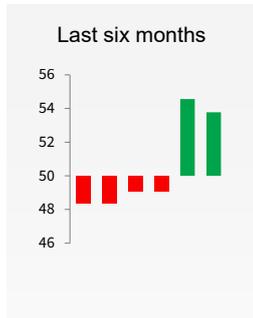


After falling in each of the previous three months, staffing numbers rose across the private sector economy in May. That said, the rate of employment growth was marginal and slightly weaker than the series average. About 6% of respondents hired more workers during the month, in response to increasing demand and capacity pressures. Meanwhile, 4% of companies noted a fall.





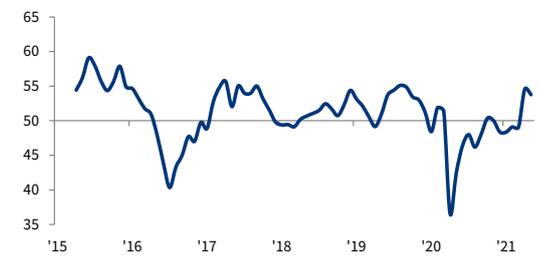
## Quantity of Purchases Index



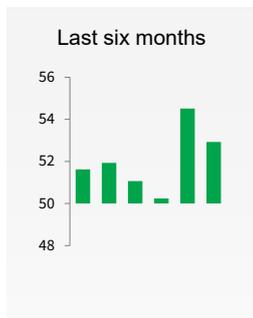
In line with rising new order inflows, Mozambican companies purchased more inputs for the second successive month in May. Though softening from April, the rate of expansion was the second-quickest for 20 months. Anecdotal evidence suggested that rising client numbers, relaxed COVID-19 measures and efforts to acquire raw materials in short supply led to the upturn in input buying.

Quantity of Purchases Index

sa, >50 = growth since previous month



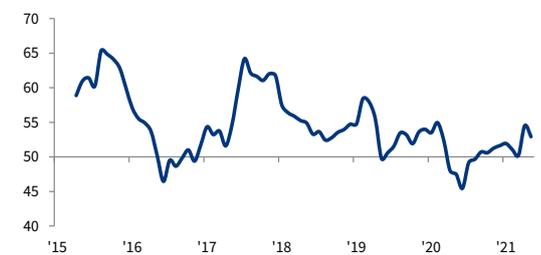
## Suppliers' Delivery Times Index



Vendors making deliveries to Mozambican firms were able to reduce their lead times for the ninth month in a row during May. The pace of improvement slowed from April's recent high, but was still solid overall. Several panellists stated that suppliers looked to win more clients by delivering more quickly. At the same time, there were some reports that raw material shortages and shipping delays held up deliveries.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



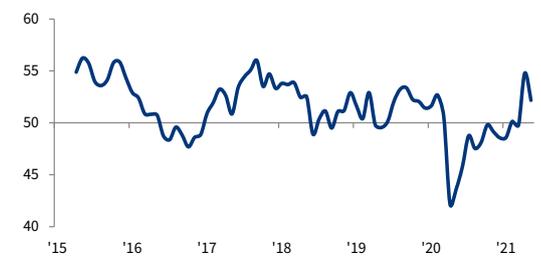
## Stocks of Purchases Index



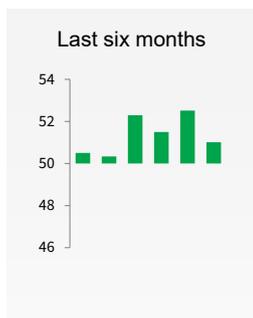
Stocks of purchases were expanded for the third time in four months in May, as companies continued to rebuild their inventories following lockdown measures. Growth was centred on the manufacturing sector, whereas there were renewed falls at agriculture and wholesale & retail firms. As a result, the overall rate of inventory accumulation slowed from April and was modest overall.

Stocks of Purchases Index

sa, >50 = growth since previous month



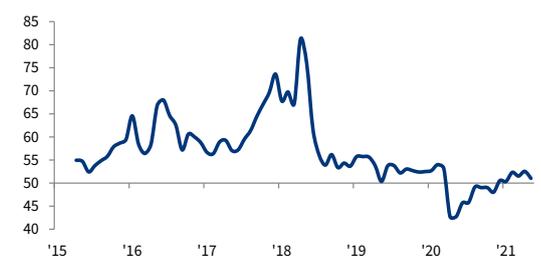
## Overall Input Prices Index



Input prices faced by Mozambican businesses rose only marginally midway through the second quarter of the year. The pace of inflation slowed to the weakest in four months. At the sector level, higher input prices were seen by all industries except manufacturing, which recorded its first decline since last September.

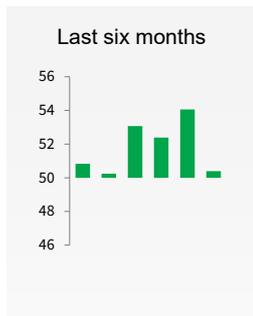
Overall Input Prices Index

sa, >50 = inflation since previous month

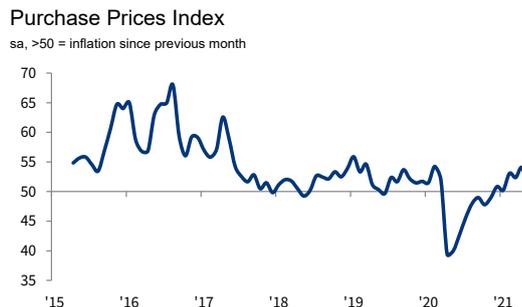




## Purchase Prices Index



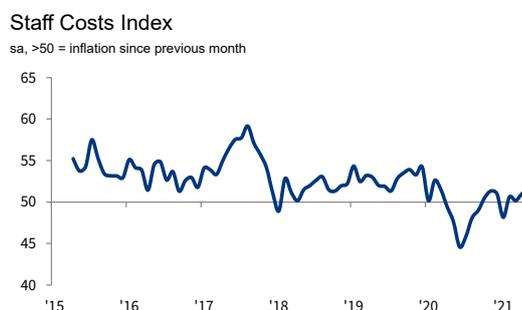
The rate of purchase price inflation in the Mozambican economy slowed to a marginal pace that was the softest seen in four months during May. Nevertheless, this extended the current run of inflation that began in December 2020. A number of panellists reported that rising input demand and raw material shortages drove higher purchase prices. However, other companies noted that some prices had fallen due to a fluctuation in exchange rates.



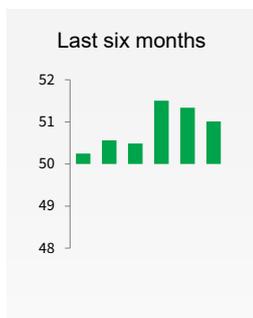
## Staff Costs Index



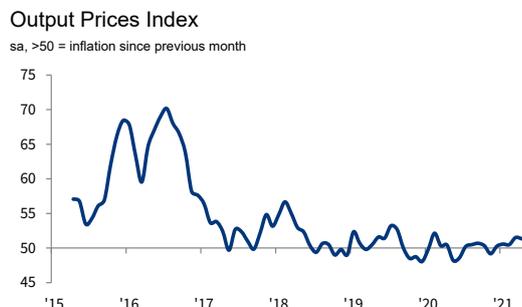
Salaries paid to private sector workers in Mozambique were raised for the fourth month in a row during May, with the rate of increase accelerating to the quickest since last November. Firms often reported that the hiring of new staff led them to raise overall pay, offsetting efforts by other companies to cut costs. Construction was the only sector to see a reduction in staff wages during the month.



## Output Prices Index



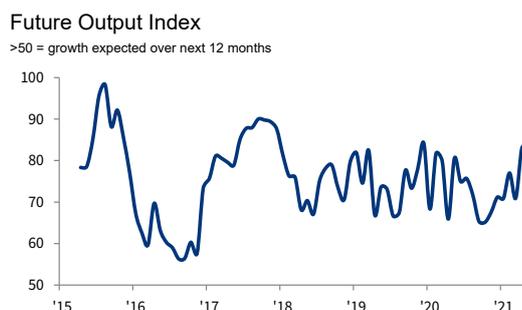
The seasonally adjusted Output Prices Index indicated a further rise in average prices charged by private sector firms in May. The increase was the tenth seen in 11 months, but the weakest since February. According to anecdotal evidence, both higher new orders and increased input prices were behind the latest uptick.



## Future Output Index



Expectations for future output improved again in May, as over two-thirds of businesses predicted an expansion in the next 12 months. Moreover, the degree of optimism rose to the strongest since December 2019. Firms were hopeful that they would be able to expand their business and improve sales, with some linking this to expectations of an end to the pandemic.





## Methodology

The Standard Bank Mozambique PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

May data were collected 12-25 May 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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Over the past five years, Standard Bank has invested heavily in credit lines for infrastructure projects for the transport of coal, storage of liquid fuels, expansion and construction of airports and roads, as well as projects in the areas of telecommunications and mineral resources.

Standard Bank is a solid and profitable bank with branches in all of the country's provinces and a wide range of products and services for large, small and medium-sized businesses and individuals. The bank reverts part of its profits to the communities where it is inserted, through the implementation of social projects in the areas of health, education and sports.

Member of the Standard Bank Group, the largest African bank in terms of geographic dispersion, results and assets, with presence in 20 countries on the African continent, as well as 6 global financial centres, Standard Bank Mozambique has the financial and human resources to serve and connect clients throughout world.

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